



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Base Charge and Rates.

SUMMARY: In this notice, the Deputy Secretary of Energy (Deputy Secretary) approves the Fiscal Year (FY) 2014 Base Charge and Rates for Boulder Canyon Project (BCP) electric service provided by the Western Area Power Administration (Western). The Base Charge will provide sufficient revenue to pay all annual costs, including interest expense, and repay investments within the allowable period.

DATES: The revised Base Charge and Rates will be effective the first day of the first full billing period beginning on or after October 1, 2013, and will stay in effect through September 30, 2014, or until superseded.

FOR FURTHER INFORMATION CONTACT: Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2442, e-mail jmurray@wapa.gov.

SUPPLEMENTARY INFORMATION: Hoover Dam, authorized by the Boulder Canyon Project Act (45 Stat. 1057, December 21, 1928), sits on the Colorado River along the Arizona and Nevada border. The Hoover Dam powerplant has 19 generating units (two for plant use) and an installed capacity of 2,078,800 kilowatts (kW) (4,800 kW for plant use). High-voltage transmission lines and substations connect BCP power to consumers in southern Nevada,

Arizona, and southern California. BCP electric service rates are adjusted annually using an existing rate formula established on April 19, 1996. The rate formula requires the BCP Contractors to pay a Base Charge (expressed in dollars), rather than a rate, for their power. The Base Charge is calculated to generate sufficient revenue to cover all annual costs and to repay investment obligations within allowable time periods. The Base Charge is allocated to each BCP Contractor in proportion to its allocation of Hoover power. A BCP composite power rate, expressed in mills per kilowatt-hour (mills/kWh), can be inferred by dividing the Base Charge by energy sales in the year; however, the rate is not used to determine customers' bills.

Rate Schedule BCP-F8, Rate Order No. WAPA-150, effective October 1, 2010, through September 30, 2015, allows for an annual recalculation of the Base Charge and Rates.¹ This notice sets forth the recalculation for FY 2014. Under Rate Schedule BCP-F8, the existing composite rate, effective on October 1, 2012, is 21.28 mills/kWh. The current Base Charge is \$82,379,637, the energy rate is 10.64 mills/kWh, and the capacity rate is \$1.96 per kilowatt-month (kW-month).

The recalculated Base Charge for BCP electric service, effective October 1, 2013, is \$76,108,019, a 7.61-percent decrease from the FY 2013 Base Charge. The major contributing factor to the decrease is the lower than expected costs in several categories. Expenses for operation and maintenance expenses, the uprating program, the visitor center, and replacement costs were less than projected. Other factors for the decrease are additional carryover from FY 2011 into FY 2012 and higher than projected FY 2012 Other Revenues from the Hoover Dam Visitor Center and Ancillary Services, which are used to offset costs to be recovered from

¹ FERC confirmed and approved Rate Schedule BCP-F8 on a final basis on December 9, 2010, in Docket No. EF10-7-000, *See United States Department of Energy, Western Area Power Administration, Boulder Canyon Project*, 133 FERC ¶ 62,229 (December 9, 2010).

power customers. The FY 2012 results allowed additional funds to be carried into FY 2013 and FY 2014, which enables the FY 2014 Base Charge to be reduced from the current level. The FY 2014 composite rate of 20.18 mills/kWh is a decrease of approximately 5 percent compared to the FY 2013 BCP composite rate of 21.28 mills/kWh. The FY 2014 energy rate of 10.09 mills/kWh is a decrease of approximately 5 percent compared to the existing energy rate of 10.64 mills/kWh. The FY 2014 capacity rate of \$1.87/kW-month is a decrease of approximately 4.5 percent compared to the existing capacity rate of \$1.96/kW-month. FY 2014 Energy and Capacity sales have decreased compared with FY 2013, due to a forecast of continued reduction in hydrological conditions resulting in lower lake elevation. Although the energy and capacity sales for FY 2014 are decreasing, the significant decrease in the revenue requirement for FY 2014 results in a decrease to the composite and energy and capacity rates. The proposed rates were calculated using Western's FY 2013 Final Master Schedule, which provides the FY 2014 projections for energy and capacity sales.

The following summarizes the steps taken by Western to ensure involvement of all interested parties in determining the Base Charge and Rates:

1. A Federal Register notice was published on February 4, 2013 (78 FR 7775), announcing the proposed rate adjustment process, initiating a public consultation and comment period, announcing public information and public comment forums, and presenting procedures for public participation.
2. Discussion of the proposal was initiated at an informal BCP Contractor meeting held March 6, 2013, in Phoenix, Arizona. At this informal meeting, representatives from Western and

the Bureau of Reclamation (Reclamation) explained the basis for the estimates used to calculate the Base Charge and Rates and held a question and answer session.

3. At the public information forum held on March 27, 2013, in Phoenix, Arizona, Western and Reclamation representatives explained the proposed Base Charge and Rates for FY 2014 in greater detail and held a question and answer session.
4. A public comment forum held on April 10, 2013, in Phoenix, Arizona, provided the public with an opportunity to comment for the record. Two individuals commented at this forum.
5. Western received one comment letter during the 90-day consultation and comment period.

The consultation and comment period ended May 6, 2013. Western responded to comments received in this Federal Register notice. The written comments were received from the following interested party representing various customers of the BCP Contractors:

- Irrigation & Electrical Districts Association of Arizona, Phoenix, Arizona.

Comments and responses, paraphrased for brevity when not affecting the meaning of the statements, are presented below.

Rate Impacting Issues

Comment: A Commenter expressed concern over cost increases for Western's headquarters administrative and general expenses. The commenter further expressed that this expense is becoming a larger and larger impact to all power rates on projects administered by Western.

Response: In addition to standard inflation, other cost increases address compliance requirements such as cyber security and North American Electric Reliability Corporation requirements, and programmatic support in the areas of safety, physical security, and technology replacements and upgrades. Western's indirect costs since 2008 average approximately

10 percent, demonstrating that Western manages its costs to ensure the lowest possible rates consistent with sound business principles. Western will continue to reduce costs through process improvements and by centralizing functions where Western-wide economies of scale can be achieved. The resulting costs, when allocated to the individual power systems, have a lower rate impact overall than if each region performed the functions separately.

Visitor Center

Comment: A Commenter requested in the final rate calculation and rate order that the Visitor Center costs be broken down to isolate annual costs and capital costs. The commenter further explained that because there is a proposal to repay the remaining Visitor Center costs through non-federal contributions, the breakdown would be helpful to explain to financial partners as well as others what the Visitor Center represents as a separate business unit within the project.

Response: Reclamation provided the detail breakdown of the Visitor Center financial analysis at the May 15, 2013 BCP Engineering and Operating Committee meeting and it has also been posted on Western's website at www.wapa.gov/dsw/pwrnkt/BCP/RateAdjust.htm.

BCP Electric Service Rates

BCP Base Charge and the resulting calculated Rates for electric service are designed to recover an annual revenue requirement that includes operation and maintenance expenses, payments to states, visitor services, the uprating program, replacements, investment repayment, and interest expense. Western's power repayment study (PRS) allocates the projected annual revenue requirement for electric service equally between capacity and energy.

Availability of Information

Information about this Base Charge and Rate adjustment, including the PRS, comments, letters, memorandums, and other supporting material developed or maintained by Western and used to develop the FY 2014 BCP Base Charge and Rates is available for public review at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, 615 South 43rd Avenue, Phoenix, AZ 85005. The information is also available on Western's website at www.wapa.gov/dsw/pwrmt/BCP/RateAdjust.htm.

Ratemaking Procedure Requirements

BCP electric service rates are developed under the Department of Energy Organization Act (42 U.S.C. 7101-7352), through which the power marketing functions of the Secretary of the Interior and Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)), and other acts that specifically apply to the project involved, were transferred to and vested in the Secretary of Energy, acting by and through Western.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) the authority to develop long-term power and transmission rates on a non-exclusive basis to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the Federal Energy Regulatory Commission (FERC). Existing Department of Energy procedures for public participation in electric service rate adjustments are located at 10 CFR part 903,

effective September 18, 1985 (50 FR 37835), and 18 CFR part 300. Department of Energy procedures were followed by Western in developing the rate formula approved by FERC on December 9, 2010, at 133 FERC ¶ 62,229.²

The Boulder Canyon Project Implementation Agreement (BCPIA) requires that Western determine the annual base charge and rates for the next fiscal year before October 1 of each rate year. The rates for the first rate year, and each fifth rate year thereafter, become effective provisionally upon approval by the Deputy Secretary and subject to final approval by FERC. For all other rate years, the rates become effective on a final basis upon approval by the Deputy Secretary. Because FY 2014 is an interim year, these rates become effective on a final basis upon approval by the Deputy Secretary.

Western will continue to provide annual rates to the BCP Contractors by October 1 of each year using the same rate-setting formula. In accordance with 10 CFR part 904, effective June 1, 1987 (57 FR 43154), and the BCPIA, the rates are reviewed annually and adjusted upward or downward to assure sufficient revenues are collected to achieve payment of all costs and financial obligations associated with the project. Each fiscal year, Western prepares a PRS for the BCP to update actual revenues and expenses, including interest, estimates of future revenues, operating expenses, and capitalized costs.

² The existing rate-setting formula was established in Rate Schedule BCP-F5 (Rate Order No. WAPA-70) on April 19, 1996, in Docket No. EF96-5091-000, at 75 FERC ¶ 62,050, for the period beginning November 1, 1995, and ending September 30, 2000. Rate Schedule BCP-F6 (Rate Order No. WAPA-94, extending the existing rate-setting formula beginning on October 1, 2000, and ending September 30, 2005), was approved on July 31, 2001, in Docket No. EF00-5092-000, at 96 FERC ¶ 61,171. Rate Schedule BCP-F7 (Rate Order No. WAPA-120, extending the existing rate-setting formula for another five-year period beginning on October 1, 2005, and ending September 30, 2010), was approved on June 22, 2006, in Docket No. EF05-5091-000 at 115 FERC ¶ 61,362. Rate Schedule BCP-F8 (Rate Order No. WAPA-150, extending the existing rate-setting formula for another five-year period beginning on October 1, 2010), was approved on December 9, 2010, in Docket No. EF10-7-000 at 133 FERC ¶ 62,229.

The BCP rate-setting formula includes a base charge, an energy rate, and a capacity rate. The rate-setting formula was used to determine the BCP FY 2014 Base Charge and Rates.

Western proposed a FY 2014 Base Charge of \$76,108,019, an energy rate of 10.09 mills/kWh, and a capacity rate of \$1.87/kW-month.

Consistent with procedures set forth in 10 CFR part 903 and 904 and 18 CFR part 300, Western held a consultation and comment period. The notice of the proposed FY 2014 Base Charge and Rates for electric service was published in the Federal Register on February 4, 2013 (78 FR 7775).

Under Delegation Order Nos. 00-037.00 and 00-001.00C, and in compliance with 10 CFR part 903 and 18 CFR part 300, I hereby approve the FY 2014 Base Charge and Rates for BCP Electric Service on a final basis under Rate Schedule BCP-F8 through September 30, 2014. Issued in Washington DC, on August 2, 2013.

Daniel B. Poneman
Deputy Secretary of Energy

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